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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
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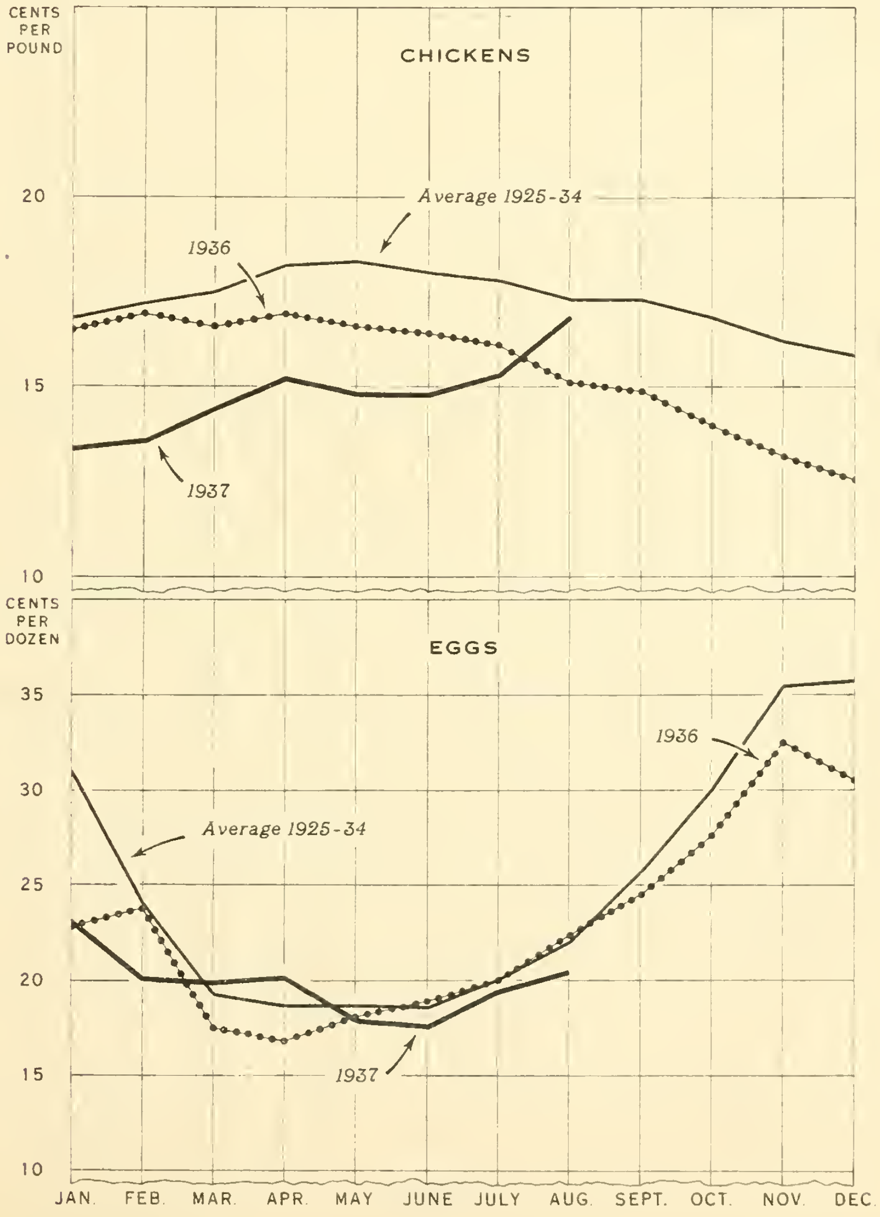
THE POULTRY AND EGG SITUATION

U.S. FARM PRICES OF CHICKENS AND EGGS



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THE POULTRY AND EGG SITUATION AT A GLANCE

(AVERAGE OF CORRESPONDING PERIODS, 1925-34=100)

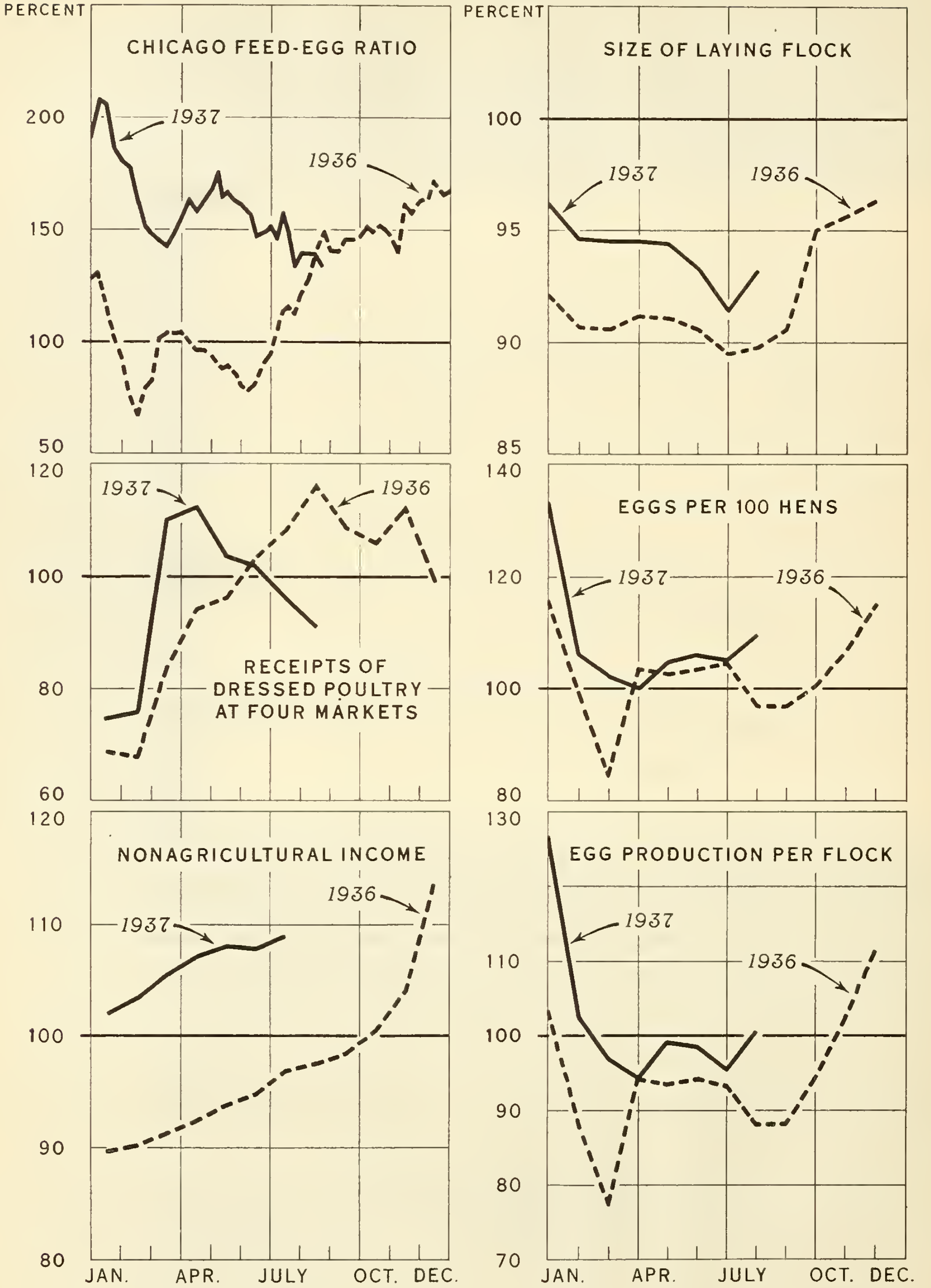

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FIGURE 1

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

THE POULTRY AND EGG SITUATION

Summary

Important developments in the poultry and egg situation in August, as reported by the Bureau of Agricultural Economics, were: (1) a sharp rise in the farm price of chickens; (2) a less-than-average reduction in storage stocks of eggs; (3) a less-than-average seasonal rise in the farm price of eggs.

The rise of the farm price of chickens to its highest point in 1937 (see cover chart) at a time when chicken prices usually decline was due to the failure of poultry receipts to show their usual seasonal increase. Chicken prices are expected to remain above those of 1936 during the rest of 1937. With the average size of flock declining less than average from July 1 to August 1 there is evidence that farmers are beginning to save their hens in greater proportions than usual. This probably reflects a somewhat more favorable feed situation than earlier in the summer.

With large storage stocks of eggs moving rather slowly, so that the effect of these stocks may be intensified in the late fall or early winter, the farm price of eggs during the rest of 1937 is not expected to exceed that of 1936. In early 1938, however, the anticipated relatively light production resulting from a prospective reduction in laying flock size is likely to keep egg prices above those of early 1937.

The feed-egg price situation, from the producer's standpoint, is expected to improve steadily, but during the remainder of 1937 the situation is not likely to become as favorable as the 1925-34 average for this period.

Feed situation

The feed situation in August, as represented by the Chicago feed-egg ratio, showed little change from the last week of July. About 8 or 9 dozens of eggs were required to buy 100 pounds of poultry feed. As figure 1 shows, this is about 40 percent more than the 1925-34 average for this period. While feed prices are expected to fall, egg prices are not expected to rise by as much as usual, so that the ratio during the rest of 1937 will not decline as rapidly as feed prices. The ratio is quite unlikely to go so low as its average.

The feed-egg ratio at Chicago, by weeks, average 1925-34, annual 1935-37

Year	Dozens of eggs required to buy 100 pounds of poultry ration										
	Week ended as of 1937										
	Apr. 3	June 5	July 3	July 17	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Nov. 27
	Doz.	Doz.	Doz.	Doz.	Doz.	Doz.	Doz.	Doz.	Doz.	Doz.	Doz.
Average 1925-34	6.23	6.98	6.71	6.76	6.56	6.38	6.43	6.18	5.91	5.68	3.60
1935	7.10	6.34	6.22	6.16	6.35	6.12	5.92	5.73	5.45	5.14	4.32
1936	6.48	5.60	6.32	7.67	7.35	7.71	8.28	8.75	8.80	7.99	5.67
1937	9.72	11.23	10.18	10.64	8.77	8.90	8.94	8.58	7.92		

This year's corn crop was indicated as of August 1 to be the largest with two exceptions since 1925. The wheat crop likewise is indicated at a high level. The following table gives the production, for recent years, of the various grains making up the average poultry ration. From those production figures, an index of poultry feed supplies relative to 1925-34 has been constructed, using the same weighting system that is used in making the feed-egg ratio. In the right hand column of this table is shown the feed-egg ratio for corresponding years relative to its 1925-34 average. Note that large supplies, as in 1928, do not always bring about a favorable feed situation from the standpoint of prices. The favorable ratio of 1932 was accounted for very largely by relatively high egg prices.

Production of poultry feed grains and the Nov. 27 feed-egg ratio

Year	Corn	Wheat	Oats	Barley	Index of poultry feed production	Feed-egg ratio relative to 1925-34 average
	Million bushels	Million bushels	Million bushels	Million bushels	Percent	Percent
Average 1925-34	2,460	778	1,100	227	100.0	100.0
1925	2,798	669	1,405	192	109.9	85.0
1926	2,547	832	1,153	166	103.6	81.1
1927	2,616	875	1,093	239	106.7	112.8
1928	2,666	914	1,313	328	111.7	115.0
1929	2,521	823	1,113	280	103.4	103.6
1930	2,080	886	1,275	300	93.4	98.3
1931	2,576	942	1,124	199	106.7	79.7
1932	2,931	757	1,251	298	115.4	45.6
1933	2,400	552	733	154	89.7	118.1
1934	1,461	526	542	117	59.6	161.9
1935	2,304	626	1,195	286	93.7	120.0
1936	1,529	626	789	147	66.1	157.5
1937 1/	2,659	890	1,131	227	108.5	

1/ August 1 estimate.

Poultry marketings

Receipts of dressed poultry in August at the four markets - New York, Chicago, Boston, and Philadelphia - were 22 percent less than a year earlier and the same as in July. In many years receipts are greater in August than in July, the 1925-34 average increase being 9 percent.

As seen in figure 1, receipts are now well below the 1925-34 average. In view of the light hatch and a tendency for the farmer to save his laying flock, receipts are likely to continue low throughout the fall and winter.

Receipts of dressed poultry at the four markets,
average 1925-34, annual 1935-37

Year	Total Jan.-June	June	July	Aug.	Sept.	Total July-Sept.	Total Oct.-Dec.
	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.
Average 1935-34	120.7	21.0	20.6	22.4	24.8	67.8	168.7
1935	94.9	18.3	18.2	16.5	21.3	56.0	141.2
1936	101.6	21.7	22.3	26.0	27.0	75.3	177.2
1937	113.3	21.4	20.4	20.4			

Poultry storage

Stocks of frozen poultry in storage are about at their low point for the year. The into-storage movement in September will probably exceed movement out-of-storage. Storage stocks are built up very largely in the period September-December, reaching a peak in January or early February.

Chicken prices

The farm price of chickens advanced from July 15 to August 15 by 10 percent. The usual movement at this time is a decline of 3 percent. As will be noted from the chart on the cover this is the highest price this year, and is nearer the 1925-34 average than at any time since February 1936.

Average United States farm price of chickens per pound,
average 1925-34, annual 1935-37

Year	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Average 1925-34	18.3	18.0	17.8	17.3	17.3	16.8	16.2	15.8
1935	15.7	15.6	14.0	14.1	15.4	15.7	15.8	16.0
1936	16.6	16.4	16.1	15.1	14.9	14.0	13.2	12.6
1937	14.8	14.8	15.3	16.8				

That the price this fall and winter will remain above that of 1936 seems assured, but it is not clear now whether the price will exceed the 1925-34 average. The July-August advance, contrary to the usual seasonal movement, may be attributed to the failure of receipts to rise seasonally which in turn was due to a less than average reduction in the laying flock and to the small hatch.

Nonagricultural income, average 1925-34, annual 1935-37
(Seasonally corrected indexes, 1924-29 = 100)

Year	Jan.	Mar.	May	June	July	Aug.	Sept.	Oct.	Dec.
Average 1925-34 ...	91.0	90.4	89.7	89.8	89.6	89.6	89.4	89.4	88.8
1935	75.4	75.8	75.8	75.7	75.5	76.7	77.3	78.4	81.5
1936	81.5	82.5	84.1	85.1	86.8	87.4	87.9	89.8	100.9
1937	82.9	95.3	96.9	96.8	97.6				

Laying flock size

That farmers are modifying their earlier policy and are tending to save a greater proportion of their laying birds is shown by the change in the size of the laying flock. The average number of hens and pullets of laying age per farm flock declined only 2.2 percent from July 1 to August 1. The 1925-34 average decline is 4.0 percent. This may be partly in response to the more favorable feed situation.

Flock size usually diminishes by about 25 percent from January 1 to September 1, the low point of the year. The decline to August 1 this year was 26 percent. Because of this greater than average decline laying flocks this fall are expected to be lower than in 1936.

As was pointed out last month, the size of the laying flock on January 1, 1938 is likely to be from 7 to 12 percent less than a year earlier, largely because of the reduction in hatchings.

Average number of laying hens in farm flocks, average 1925-34, annual 1935-37

Year	Jan. 1	June 1	July 1	Aug. 1	Sept. 1	Oct. 1	Nov. 1	Dec. 1
	Number	Number	Number	Number	Number	Number	Number	Number
Average 1925-34	87.5	73.4	69.6	66.8	66.1	70.4	75.7	81.9
1935	78.3	65.1	61.4	59.2	58.5	65.1	70.5	76.6
1936	80.6	66.5	62.3	60.0	59.9	66.9	72.4	79.1
1937	84.2	68.5	63.6	62.2				

Rate of egg production

The number of eggs laid per 100 layers on August 1 was again the highest on record for the month. As shown by figure 1, it was well above 1936. That the rate of production has been so high thus far in 1937, regardless of an unfavorable feeding situation, has been due in part to the larger-than-usual proportion of pullets in the flock. Since the feeding situation is likely to continue unfavorable into the fall, and since the effect of the present proportion of pullets will be gone by then, the rate of production in early 1938 is not likely to be as high as in early 1937.

Eggs laid per 100 hens and pullets of laying age in farm flocks, average 1925-34, annual 1935-37

Year	Jan. 1	June 1	July 1	Aug. 1	Sept. 1	Oct. 1	Nov. 1	Dec. 1
	Number	Number	Number	Number	Number	Number	Number	Number
Average 1925-34 ..	16.5	49.5	42.2	36.9	32.4	25.0	17.0	13.9
1935	16.9	50.3	44.1	38.2	32.8	25.9	19.5	16.3
1936	19.1	51.2	44.2	35.8	31.4	25.1	18.1	16.0
1937	22.0	52.5	44.4	40.4				

Egg marketings

Receipts of eggs at the four markets in August were 5 percent less than a year before. The seasonal decrease from July, 22 percent, however, was only slightly greater than the average (1925-34) decrease of 19 percent.

Receipts of eggs at the four markets, average 1925-34, annual 1935-37

Year	Jan.-Mar.	Apr.-June	June	July	Aug.	Sept.
	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases
Average 1925-34	3,666	6,185	1,684	1,182	962	828
1935	2,891	5,079	1,429	1,101	788	719
1936	3,249	5,571	1,646	1,173	921	724
1937..........	3,392	5,597	1,599	1,113	870	

Egg storage stocks

Storage stocks of eggs are now being used to supply partly the needs of consumption. As measured at the 26 major storage centers, however, the stock of shell eggs is not diminishing as rapidly as usual, only 2 percent of the July 31 stock being withdrawn by September 4 as compared with the 1925-34 averag withdrawal of 4 percent. No weekly 10-year average is available for frozen eggs moving out of storage, but the larger holdings this year are not being reduced as rapidly as were the smaller holdings of 1936.

Cold storage holdings and out-of-storage movement of eggs at 26 markets, average 1925-34, annual 1935-37

Year	Storage stock	Out-of-storage movement, week ended as of 1937					Storage stocks
	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 4
	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases
Shell eggs- Average							
1925-34	6,433	39	66	94	114	130	5,990
1935 ...	5,242	66	77	90	136	157	4,716
1936 ...	5,067	86	20	10	26	114	4,811
1937 ...	5,917	12	24	28	72	99	5,682
Frozen eggs (in shell egg equivalent)-							
1936	2,017	14	26	23	37	37	1,880
1937	2,917	11	3	34	29	40	2,800

As was pointed out last month in some detail, storage holdings of eggs are important in determining the fall and winter price of eggs. Should storage stocks move out at a less than average rate, the effect of this year's heavy stocks on egg prices will be intensified by November and December. In other words, while a less than average use of storage eggs in early fall may tend to keep prices above what they would otherwise be (and probably to cut consumption for a longer period), egg prices in the late fall and early winter would tend to be lowered to an even greater extent by the storage stocks.

Egg consumption

Consumption of eggs during the period January to August 1937 appears to have been distinctly greater than in the same period of 1936. Egg production in these months, as judged by production per farm flock (see figure 1) has been 9 percent greater than in 1936. The quantity of eggs stored each year seldom exceeds 20 percent of this first 8 month's production. Hence, with 1937 storage about 25 percent greater than in 1936, not over 5 of the 9 percent increase in production went into storage and therefore consumption must have increased by at least 4 percent over 1936.

Egg prices

The farm price of eggs rose only 5.2 percent from July 15 to August 15. The average (1925-34), seasonal rise between these dates is 10.0 percent (see chart on cover). By December, egg prices ordinarily double their March-June average. They are not likely to go so high this year. Indeed, if storage stocks continue to move so slowly egg prices may be expected to remain below those of 1936 during the rest of the year. The analysis presented last month evaluating the effect of storage stocks on egg prices and indicating little difference between prices in 1936 and 1937 was based on a normal rate of withdrawal.

The effect on egg prices of the reduction in laying flock size, resulting from the smaller hatch, is not likely to be felt before early 1938. Then, while prices may be expected to exceed those of early 1937, they will of course be lower than in the last 2 months of this year.

Average United States farm price of eggs per dozen, average 1925-34, annual 1935-37

Year	Mar.-June average	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Average 1925-34	18.8	18.6	20.0	22.0	25.7	30.0	35.4	35.7
1935	20.2	21.0	21.7	22.7	26.4	27.9	30.1	28.7
1936	17.8	18.9	20.0	22.4	24.5	27.6	32.5	30.5
1937	18.9	17.6	19.4	20.4				